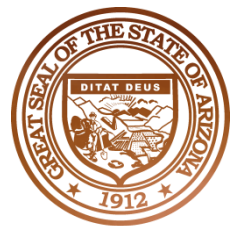


# Arizona Economy & Budget

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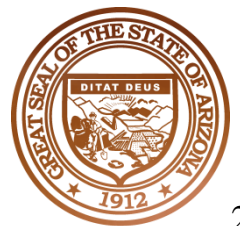
Arizona Tax Conference  
August 31, 2012



# Overview

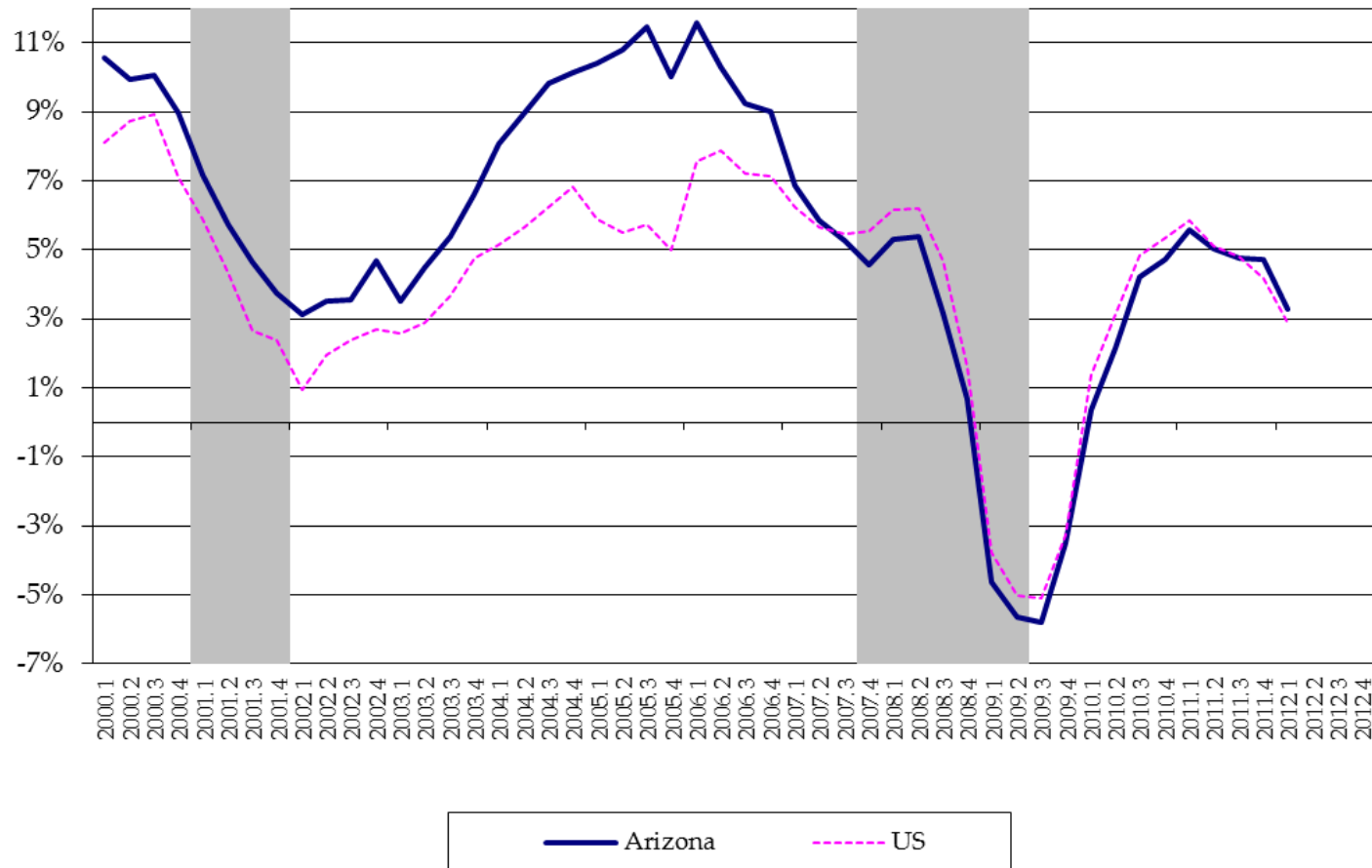
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- Economy
- Revenues
- Outlook
- Federal Health Care Reform
- Other Issues



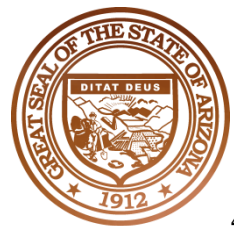
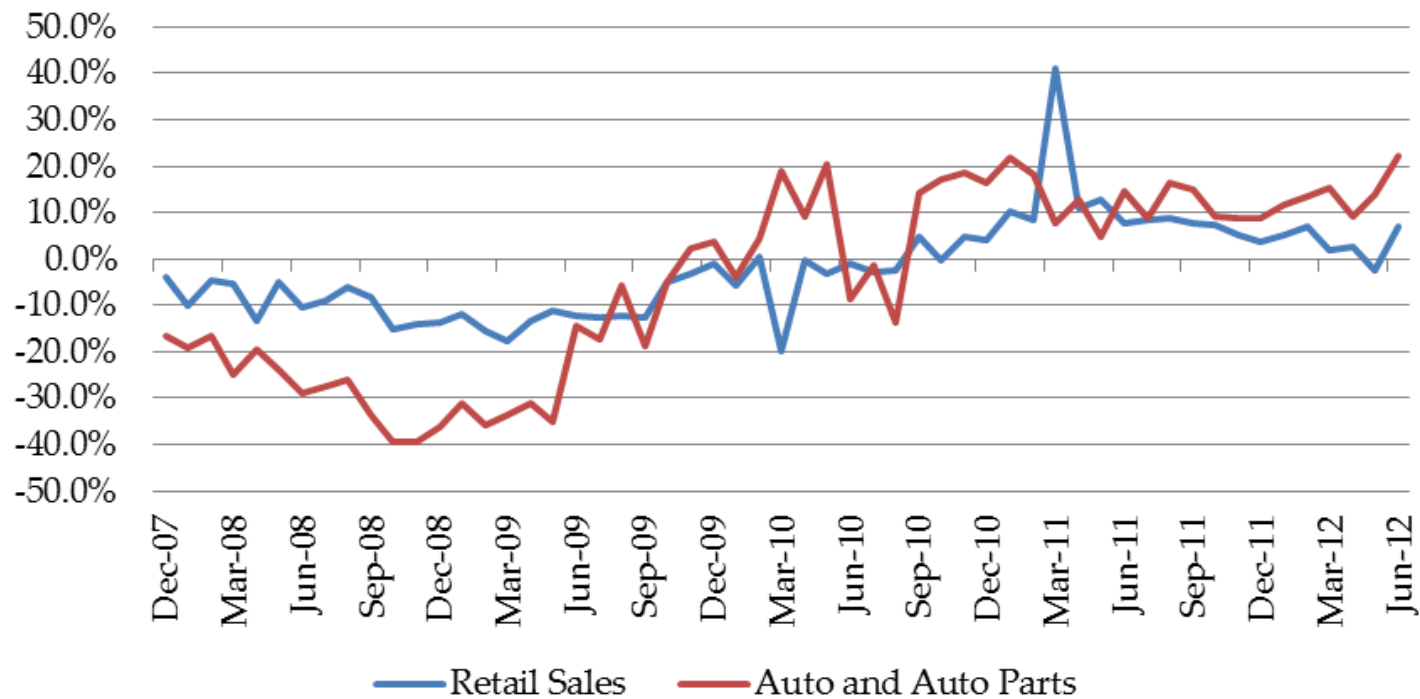
# Economy

Arizona vs. US Quarterly Personal Income Growth

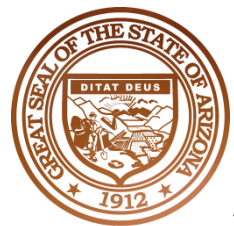
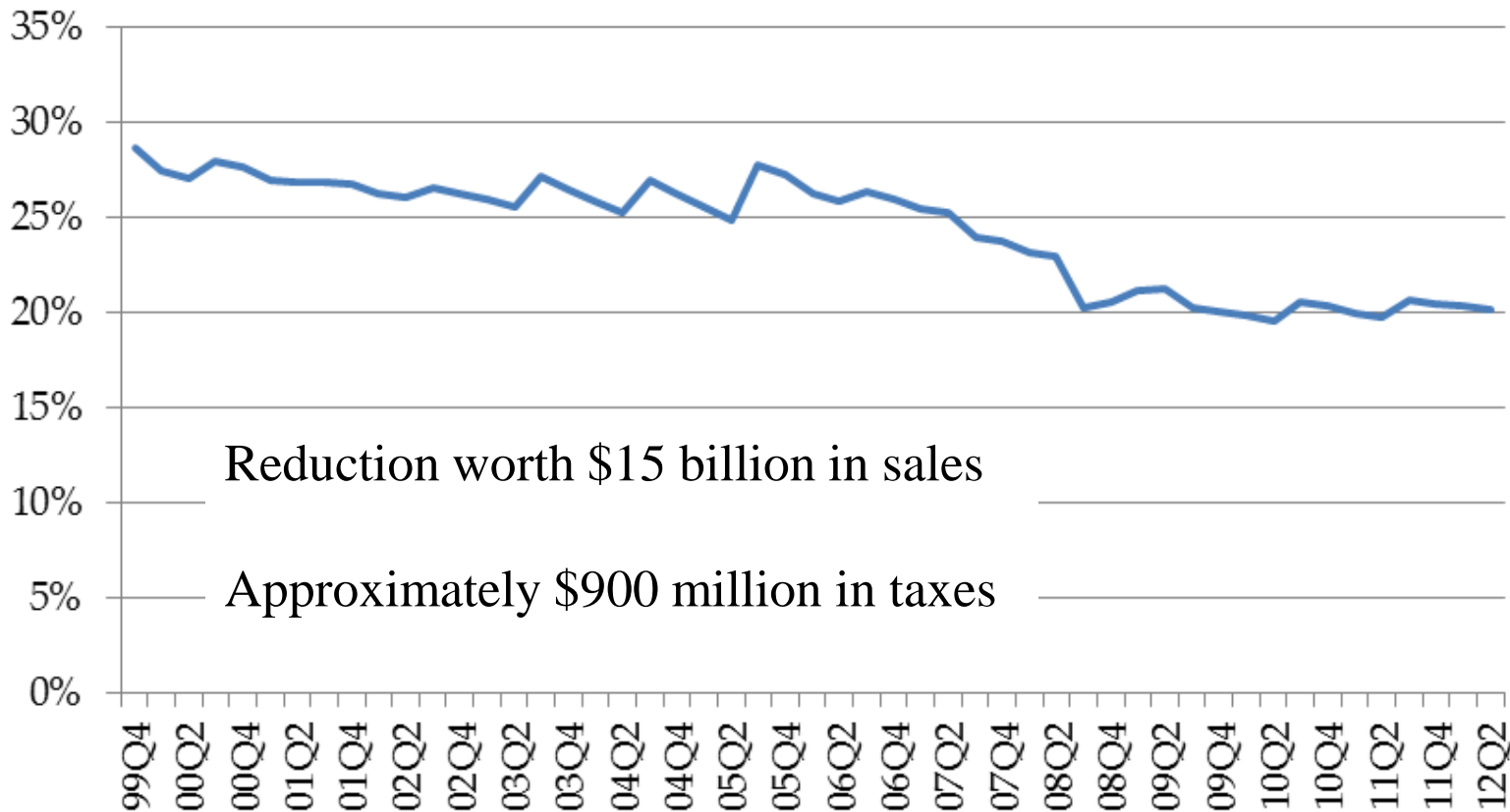


# Economy

## Retail Sales over-the-year Percentage Change

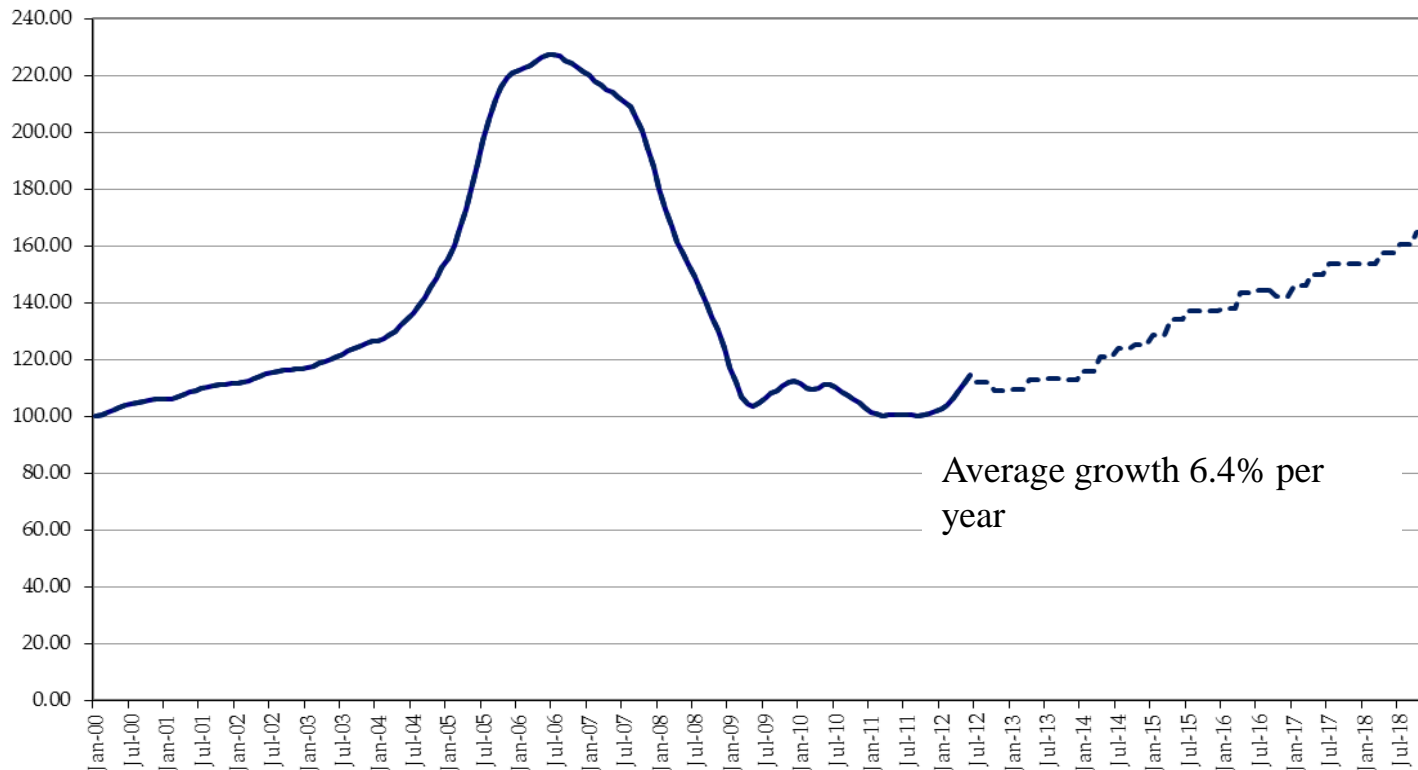


# Economy – Retail as a Percent of PI

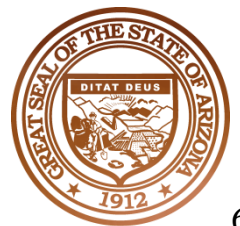


# Housing Outlook

Case Shiller Index for Housing Price in Phoenix

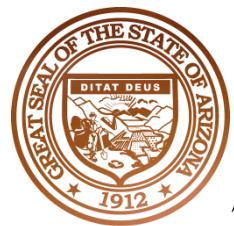
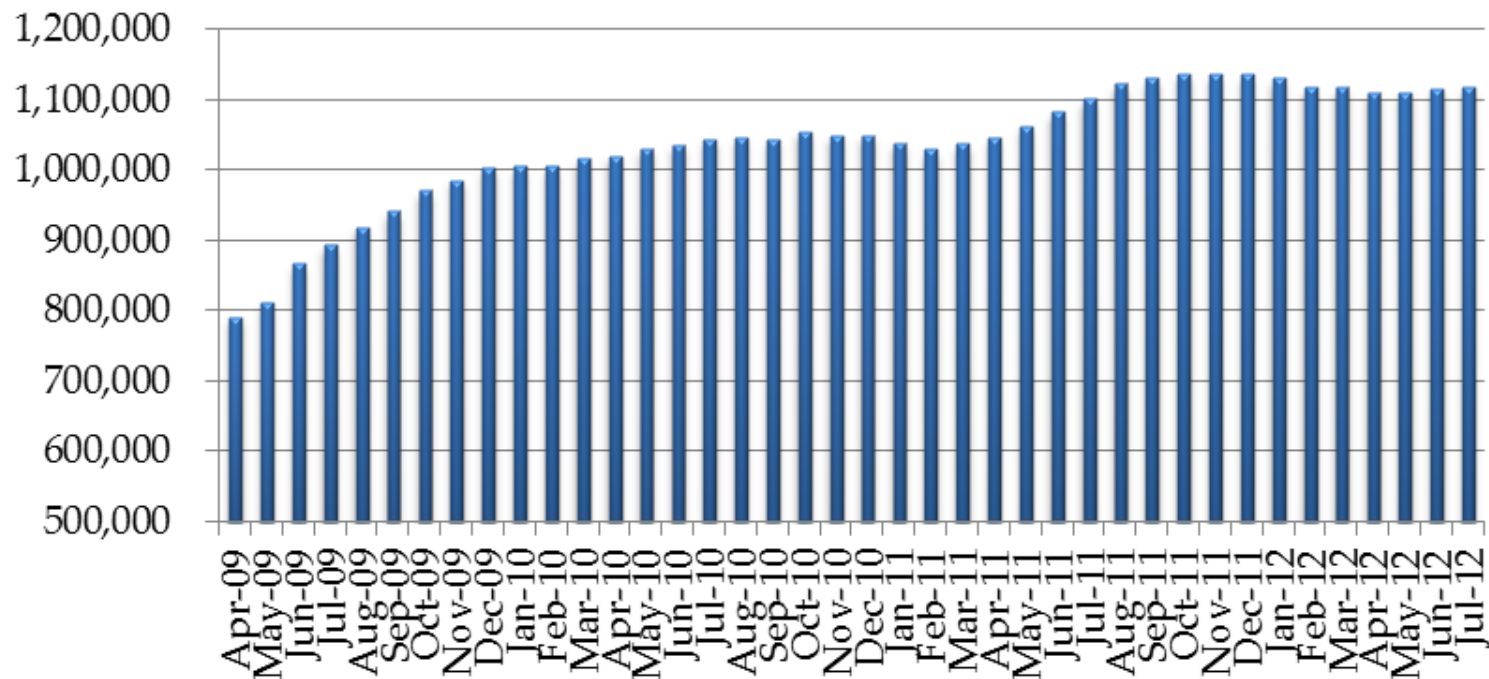


Forecast source: Global Insight

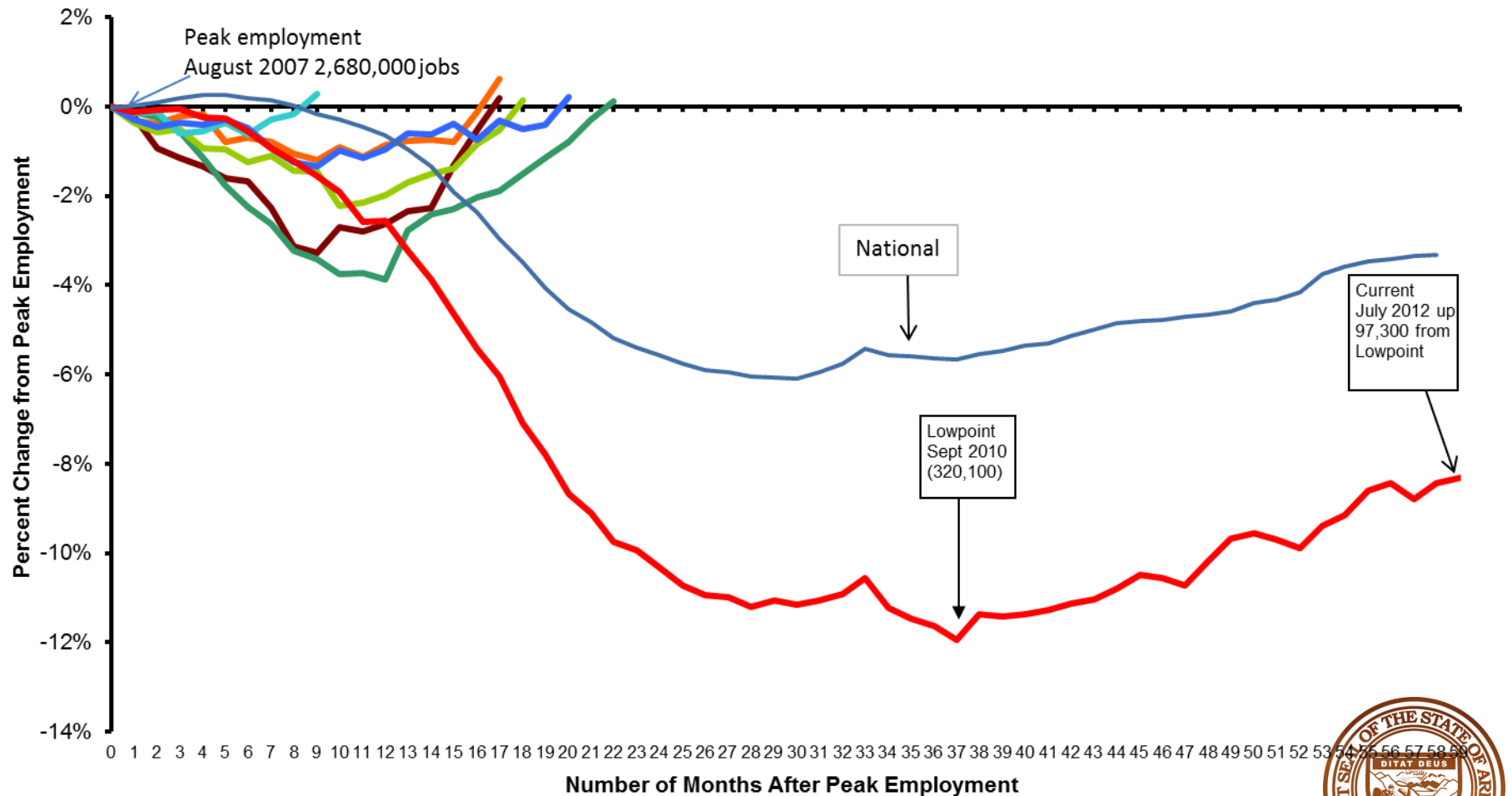


# Economy

## SNAP Enrollment



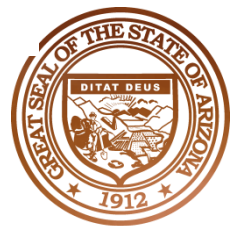
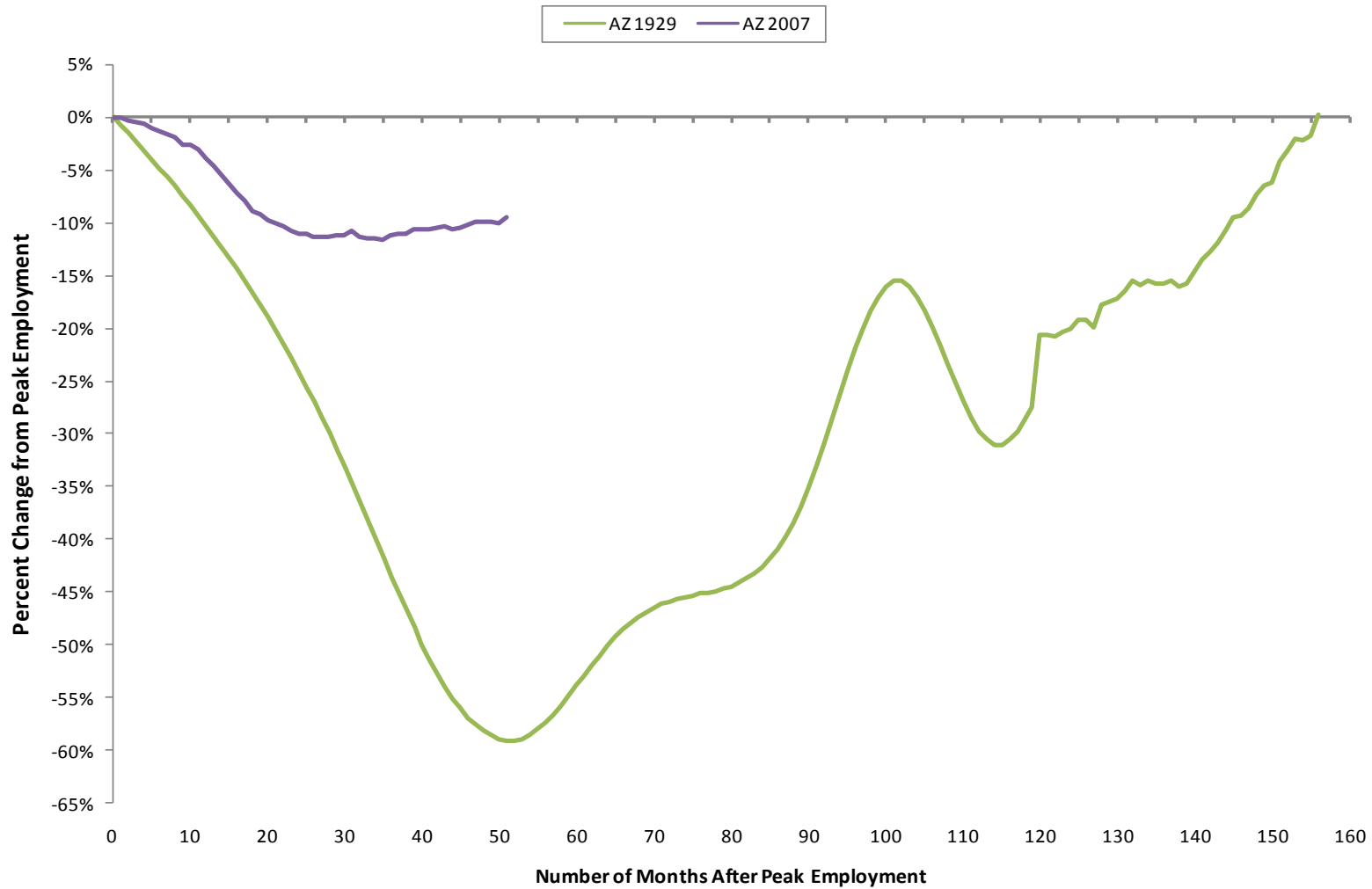
# Arizona Job Loss Non-Farm Seasonally Adjusted





# AZ Depression vs. Recession

## Number of Months needed to surpass a peak in employment

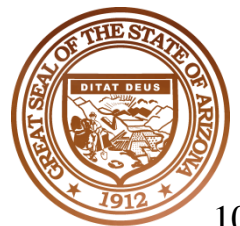


# Economy – The Good News

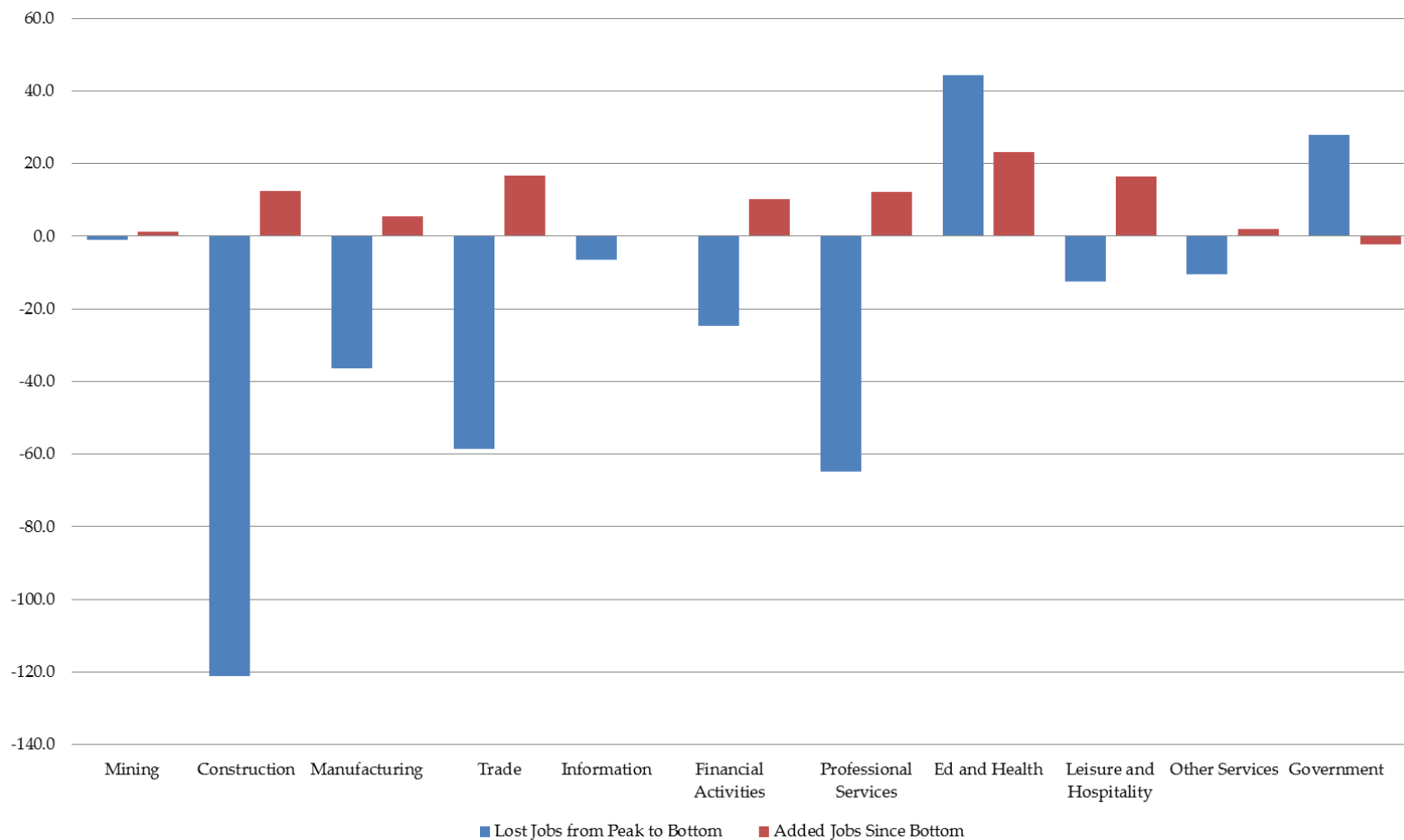
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Arizona now ranks 4<sup>th</sup> in job growth  
(Behind ND, CA, and OK)

Phoenix ranks 5<sup>th</sup> among major metropolitan  
areas (of 26 ranked – St. Louis)



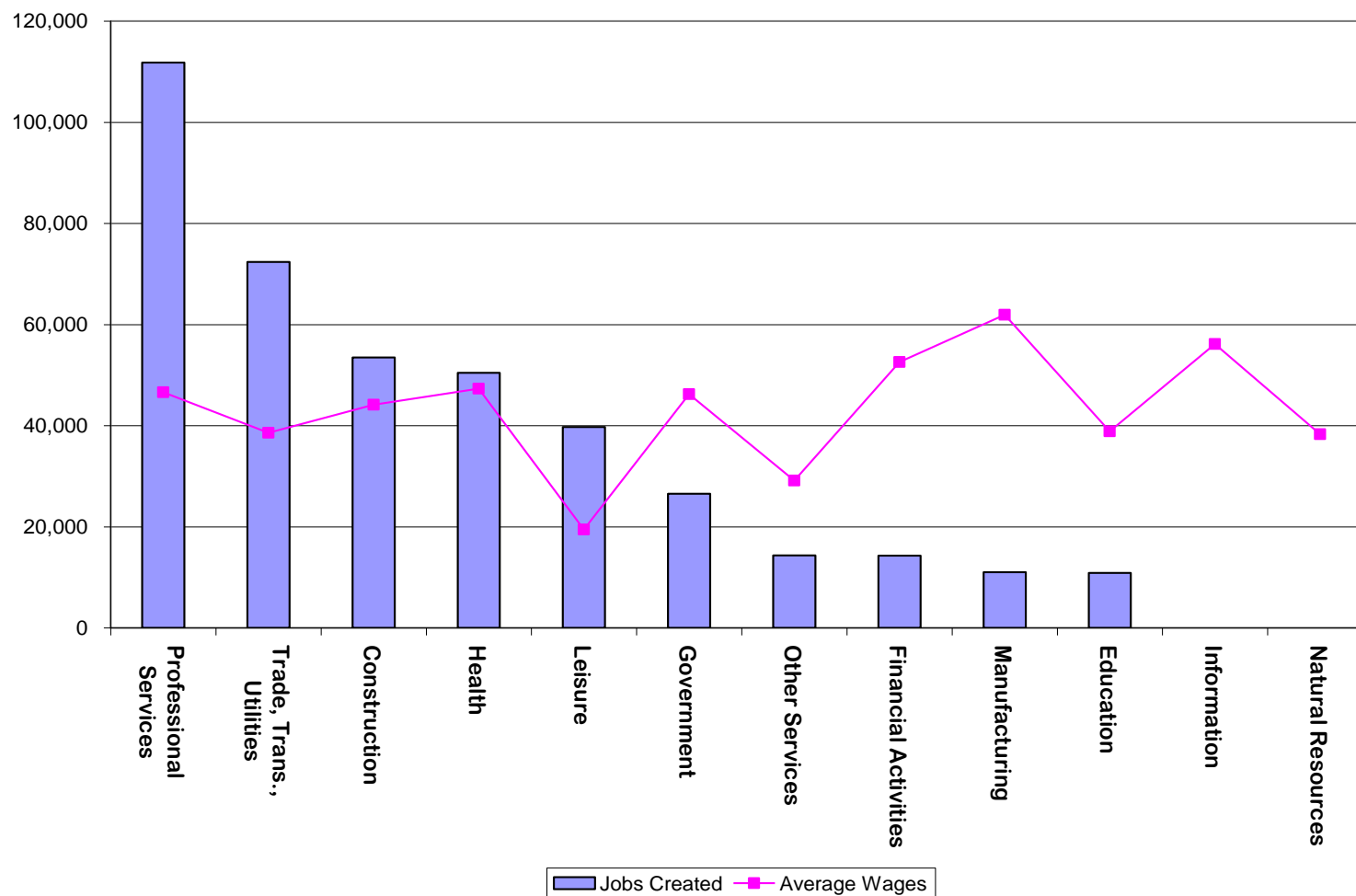
# Types of Jobs



In Thousands

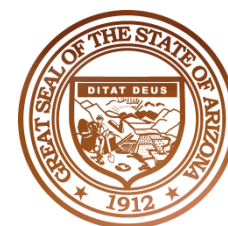


# Projected New Jobs in Arizona 2010-2018

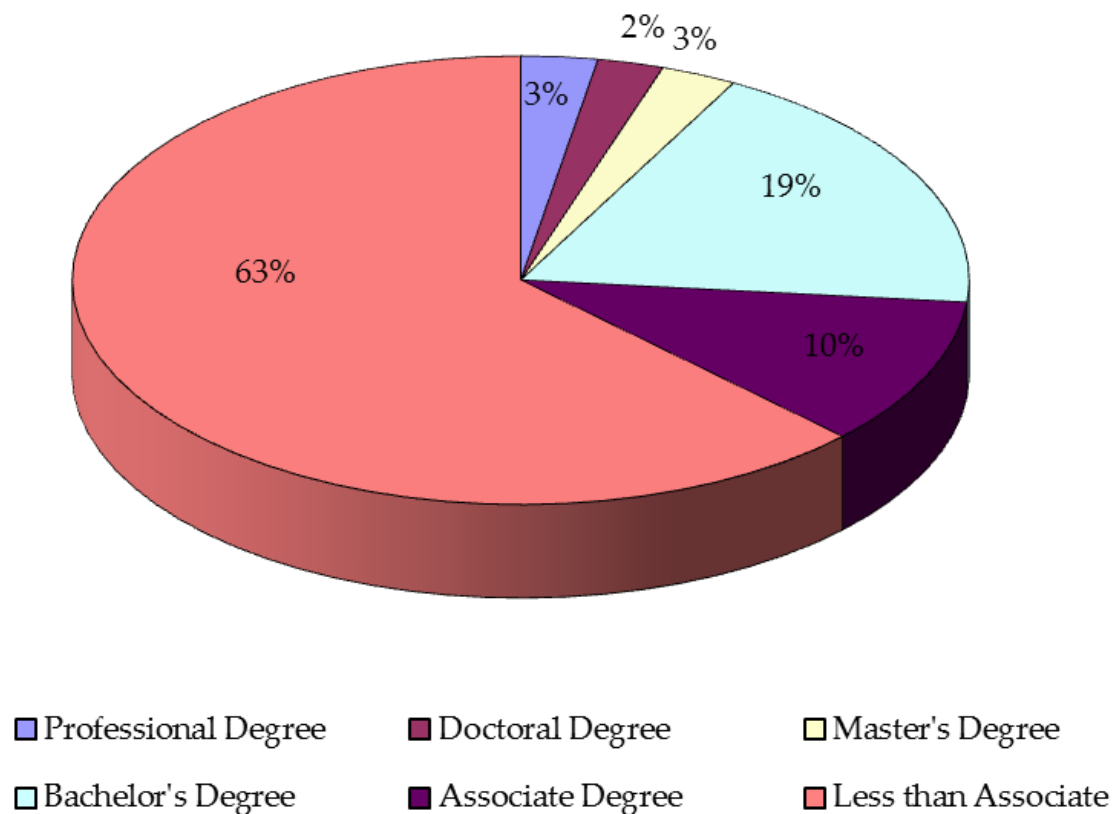


Source: Research Administration 2008-2018 Occupational Forecast, August 19, 2010

Office of Governor Janice K. Brewer

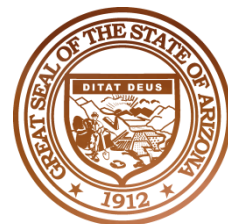


# Projected New Jobs by Education Requirement

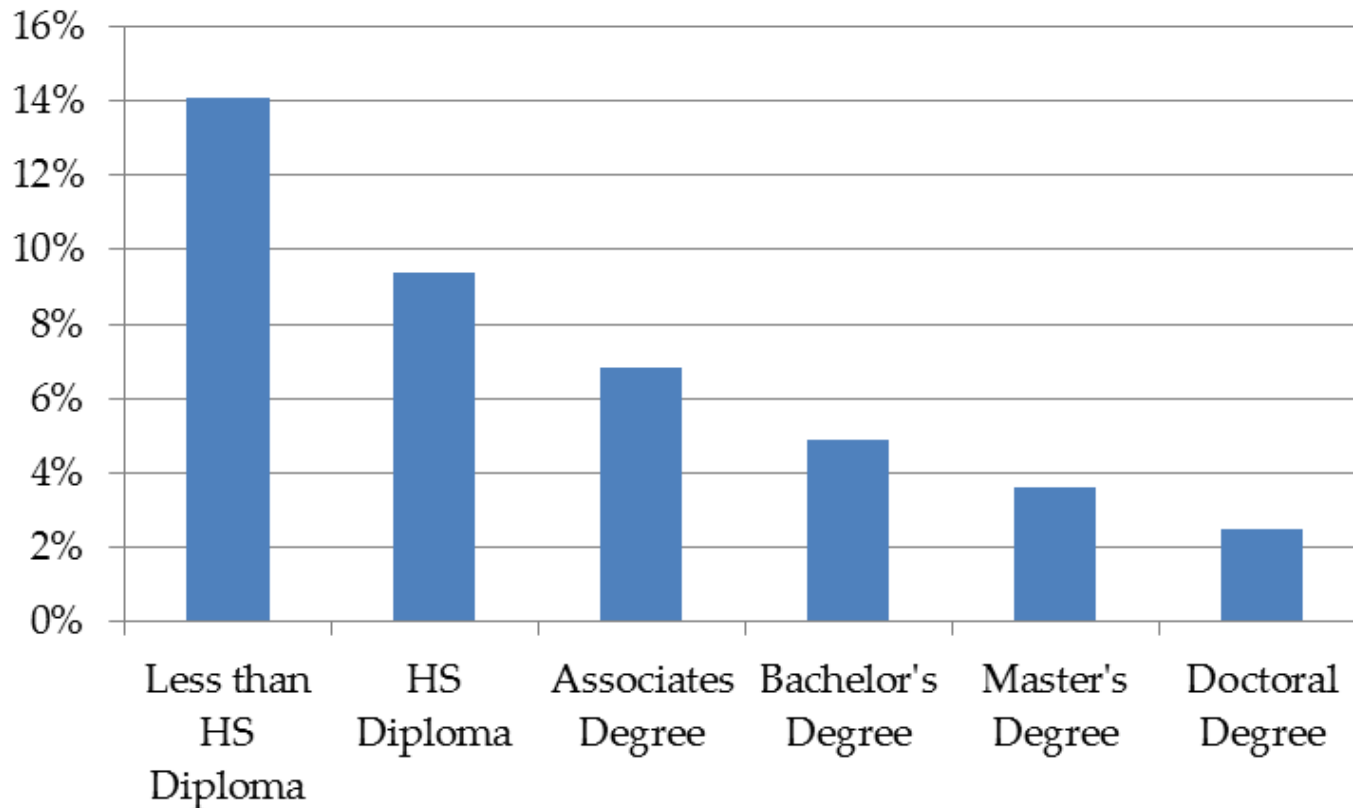


Source: Research Administration 2008-2018 Occupational Forecast, August 19, 2010

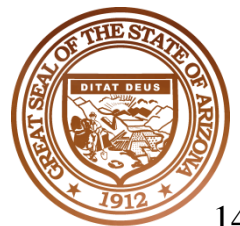
Office of Governor Janice K. Brewer



# Unemployment by Education Level

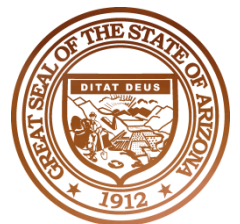


Source: U.S. Bureau of Labor Statistics



# Multiplier Analysis: Jobs Created for Every Direct Job Added

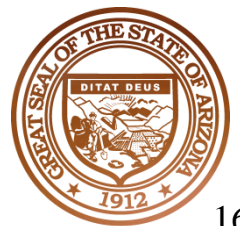
Industry	Muliplier
Accomodations	0.63
Air Transportation	2.07
Chemical Manufacturing	3.73
Comercial Construction	0.83
Computer and other electronics Manufacturing	2.18
Electrical equipment and appliances	1.47
Fabricated Metal	1.1
Hospital	0.91
Mining	2.19
Nursing and residential care	0.36
Professional services	0.9
Telecommunication	2.06
Wholesale trade	1.21



# Economic Outlook

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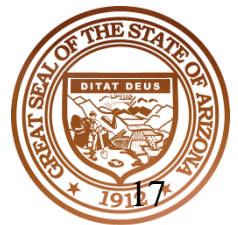
- Continue Long Recovery
- Global Insight places recession risk at 25%
  - Europe
  - Federal Spending





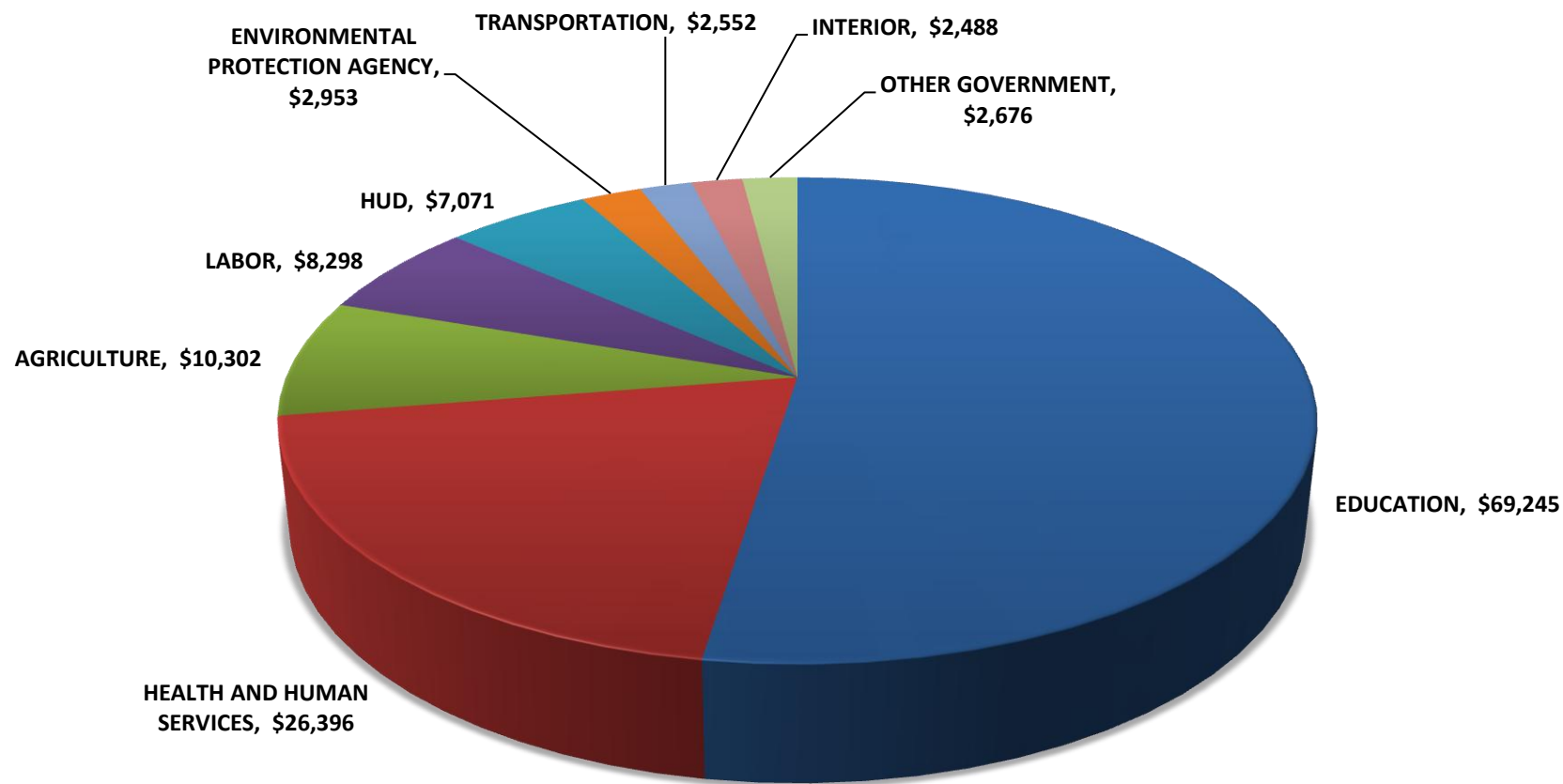
# Federal Spending - Sequester

- 7.8% percentage decrease applied to all covered non-defense discretionary and mandatory programs (FY 13 AZ Impact \$132 million)
- 10% sequester percentage decrease applied across the board for defense programs (AZ Impact \$1.3 billion)
- Arizona is projected to lose 35,248 jobs to DOD cuts and 13,941 to Non-DOD cuts, according to a Aerospace Industries Association report





# FY 13 Potential Impact of Non-Defense Sequester on Arizona (In Thousands)

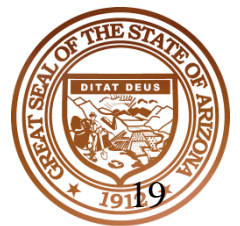


Source: Federal Fund Information For States Special Analysis 12-02, July 2012

# Impact of Expiration of Tax Cuts

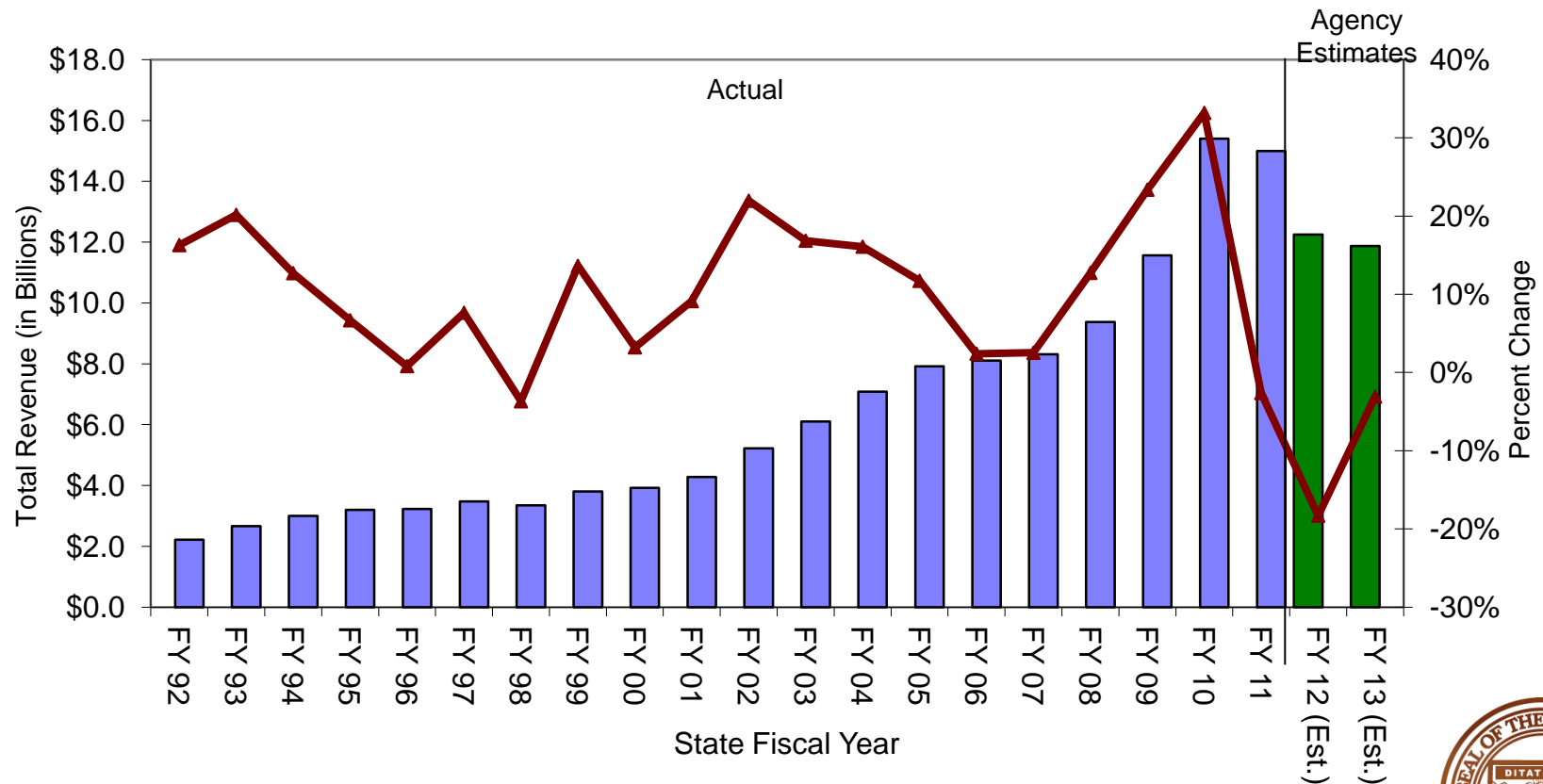
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- Expiration of Title I of the Tax Relief Act, Unemployment Insurance Reauthorization, 2010 Job Creation Act, and Title III (gift and estate tax) will lead to an increased tax burden of \$3.2 trillion between 2013-2022.



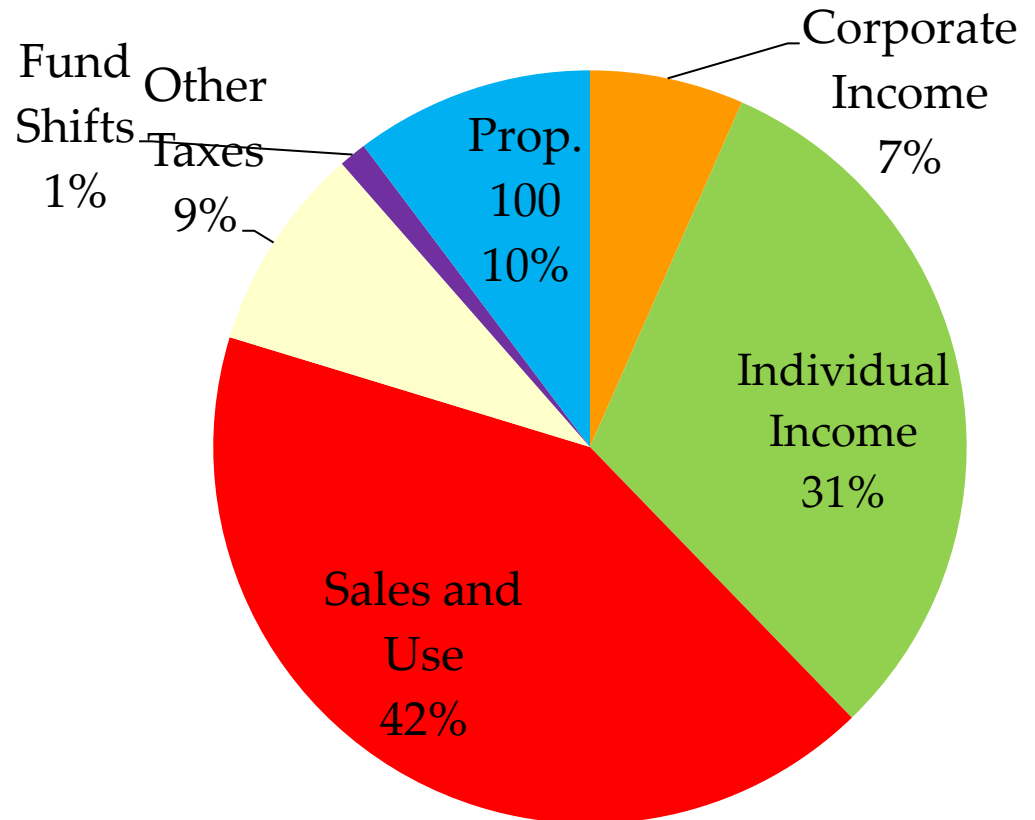
# Arizona Federal Funding Cliff

Federal Funding Trend Including Estimates  
for FY '12 and FY '13

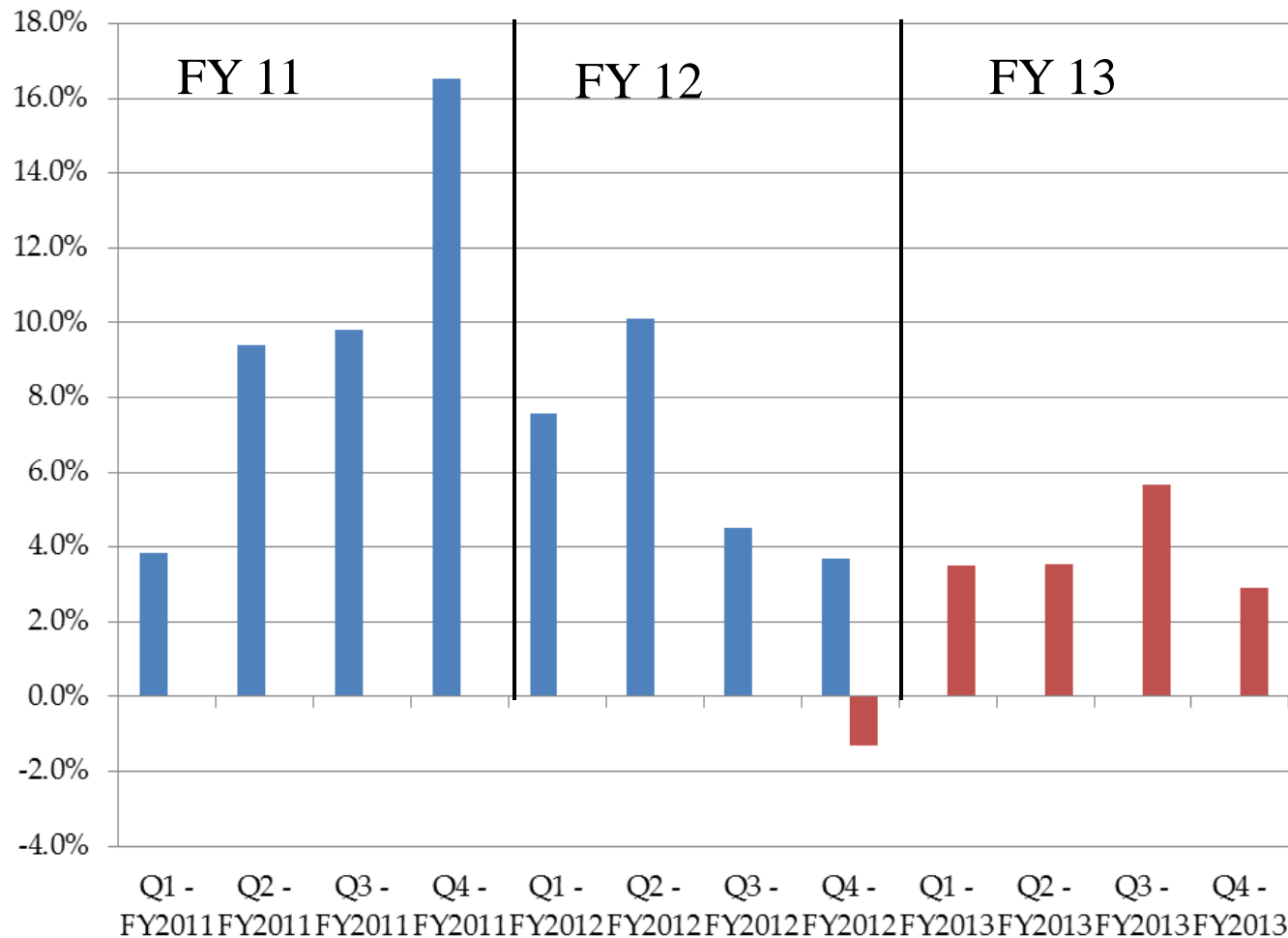


# FY 2012 State Revenues

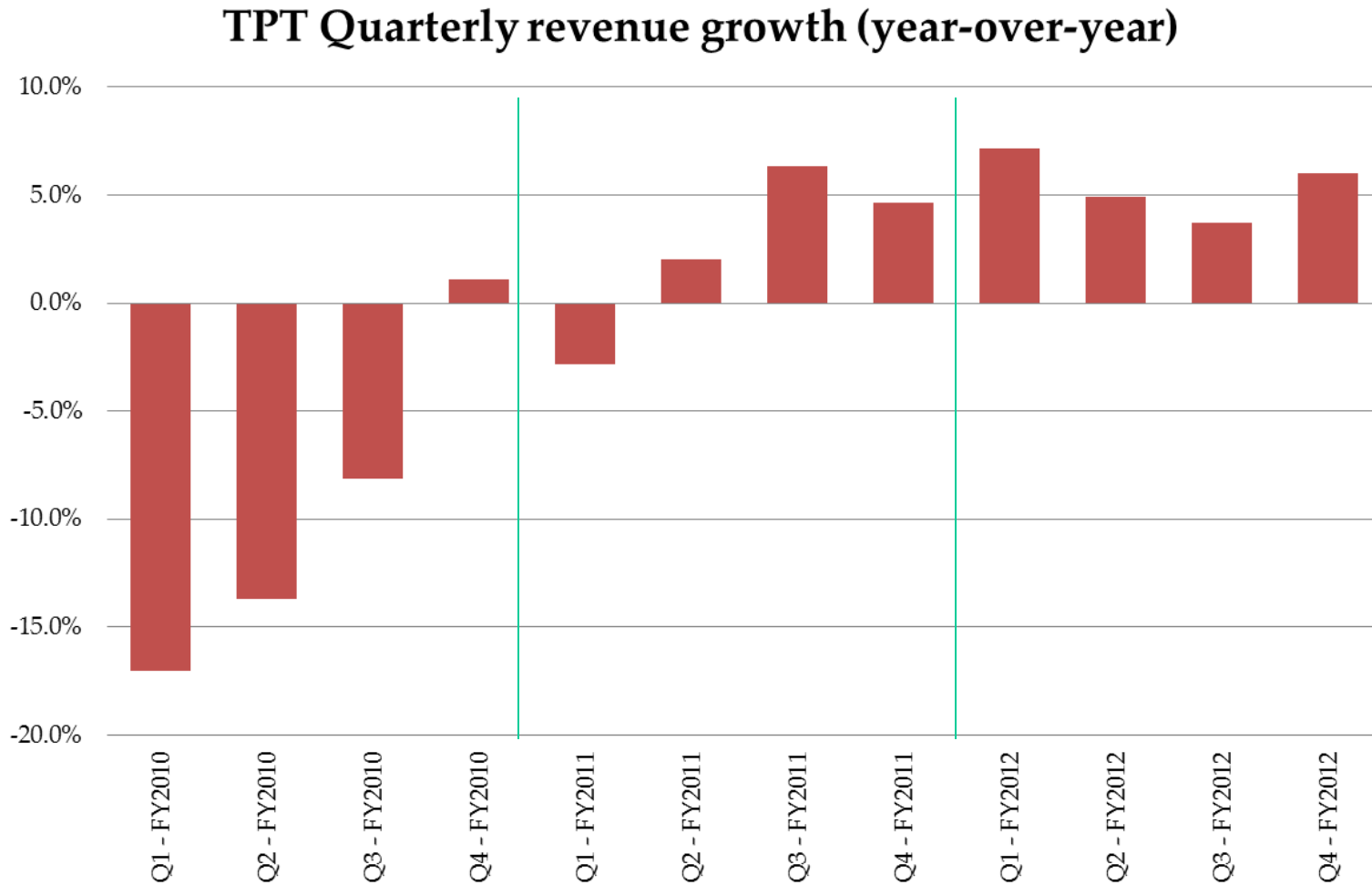
<u>Source</u>	<u>(Millions)</u>
Corporate Income	\$ 588
Individual Income	2,773
Sales and Use	3,733
Other Taxes	787
Fund Shifts	106
Prop. 100	913
<b>TOTAL</b>	<b>\$8,900</b>



# Revenues – Growth Rate by Quarter

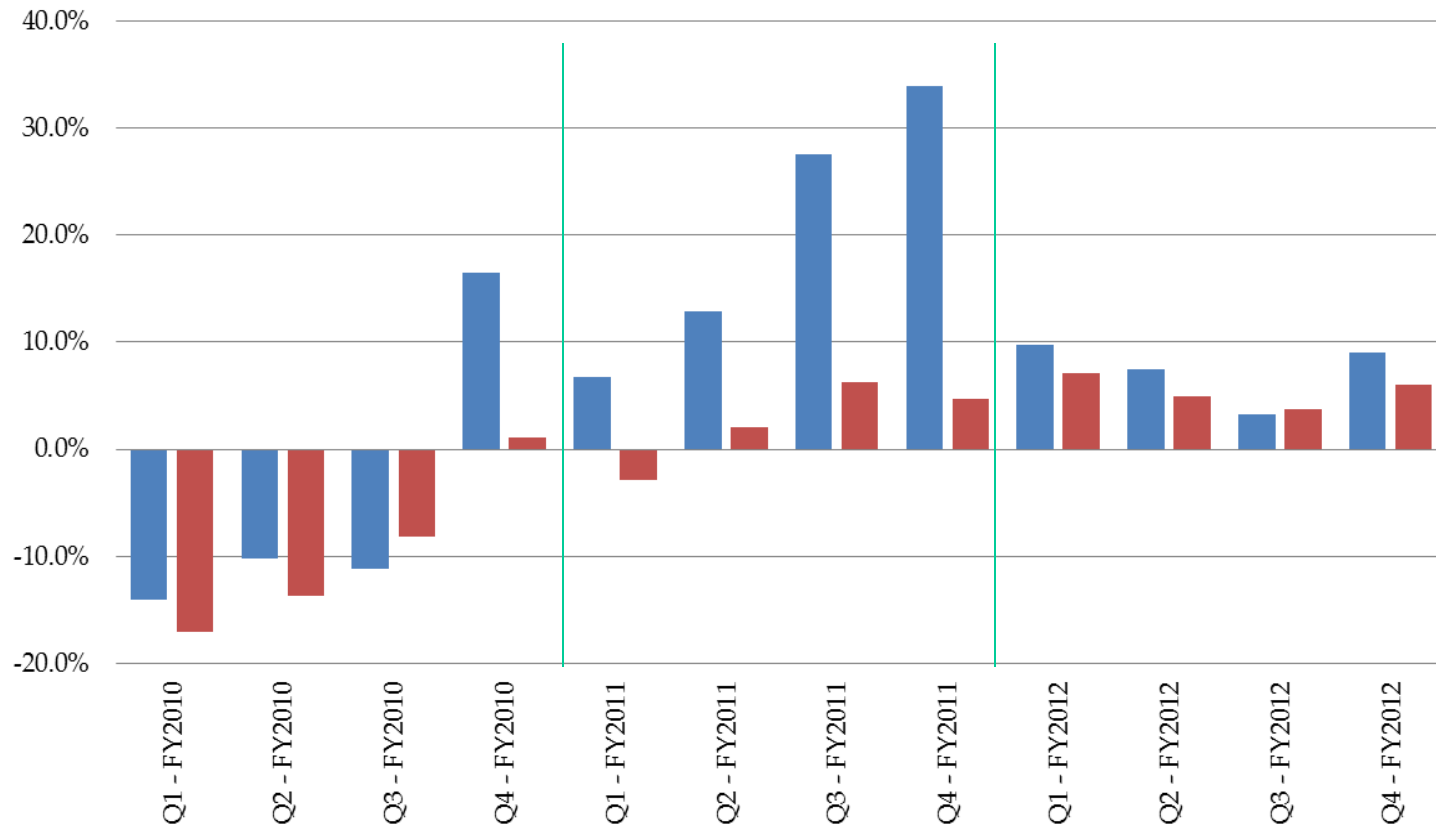


# Revenues – Growth Rate by Quarter



# Revenues – Growth Rate by Quarter

Individual Income Tax Quarterly revenue growth  
(year-over-year)





# Individual Income

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- Over two years, II is up 28 percent with fourth quarter collections up 46 percent
- Why?



# Individual Income – Up 28%

(\$686 million)

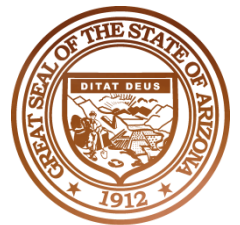
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- Personal Income is up about 8 percent
- Effective tax rate up about 6 percent
- S&P 500 up 12.7 percent

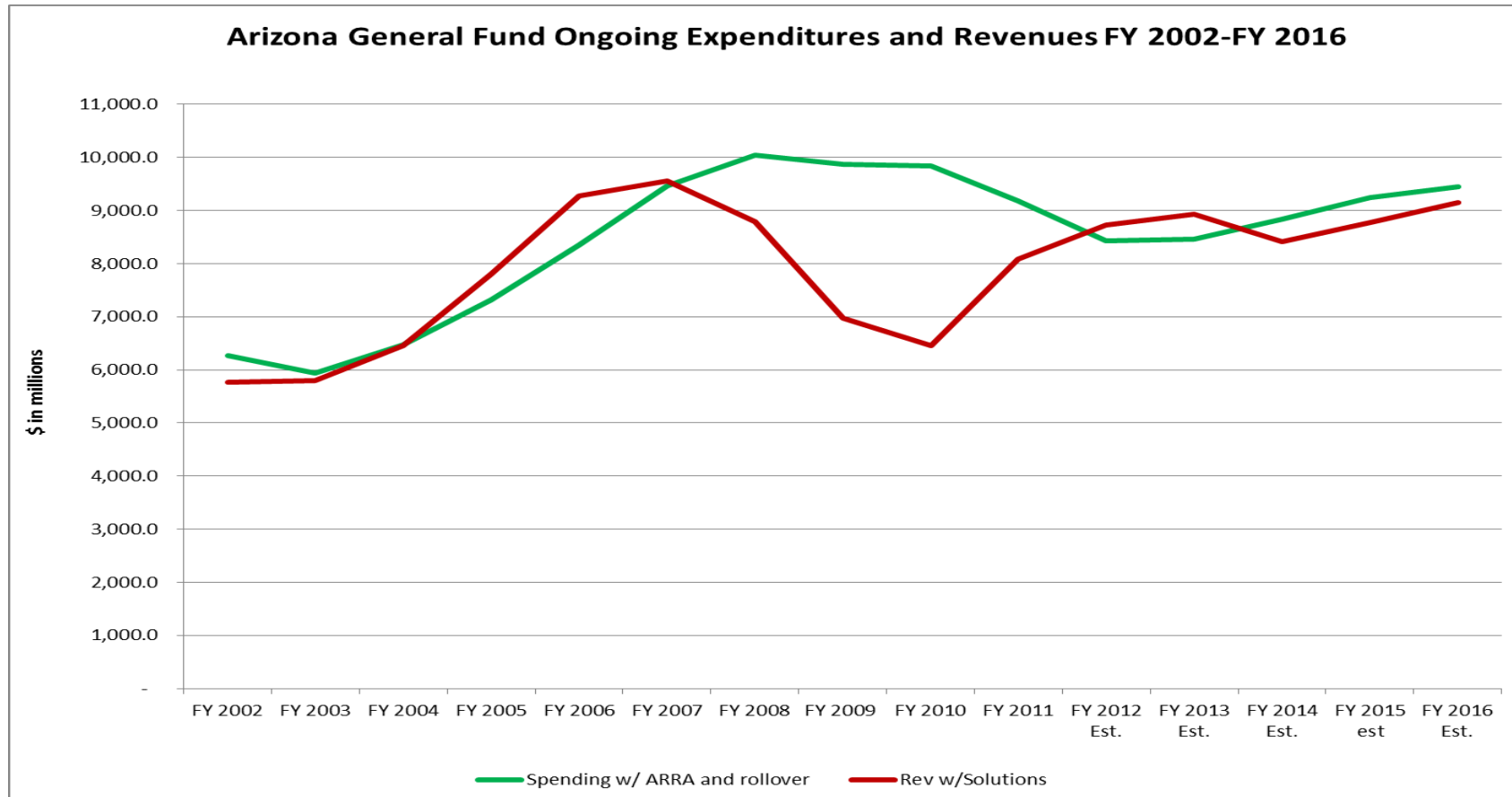


# New Tax Changes

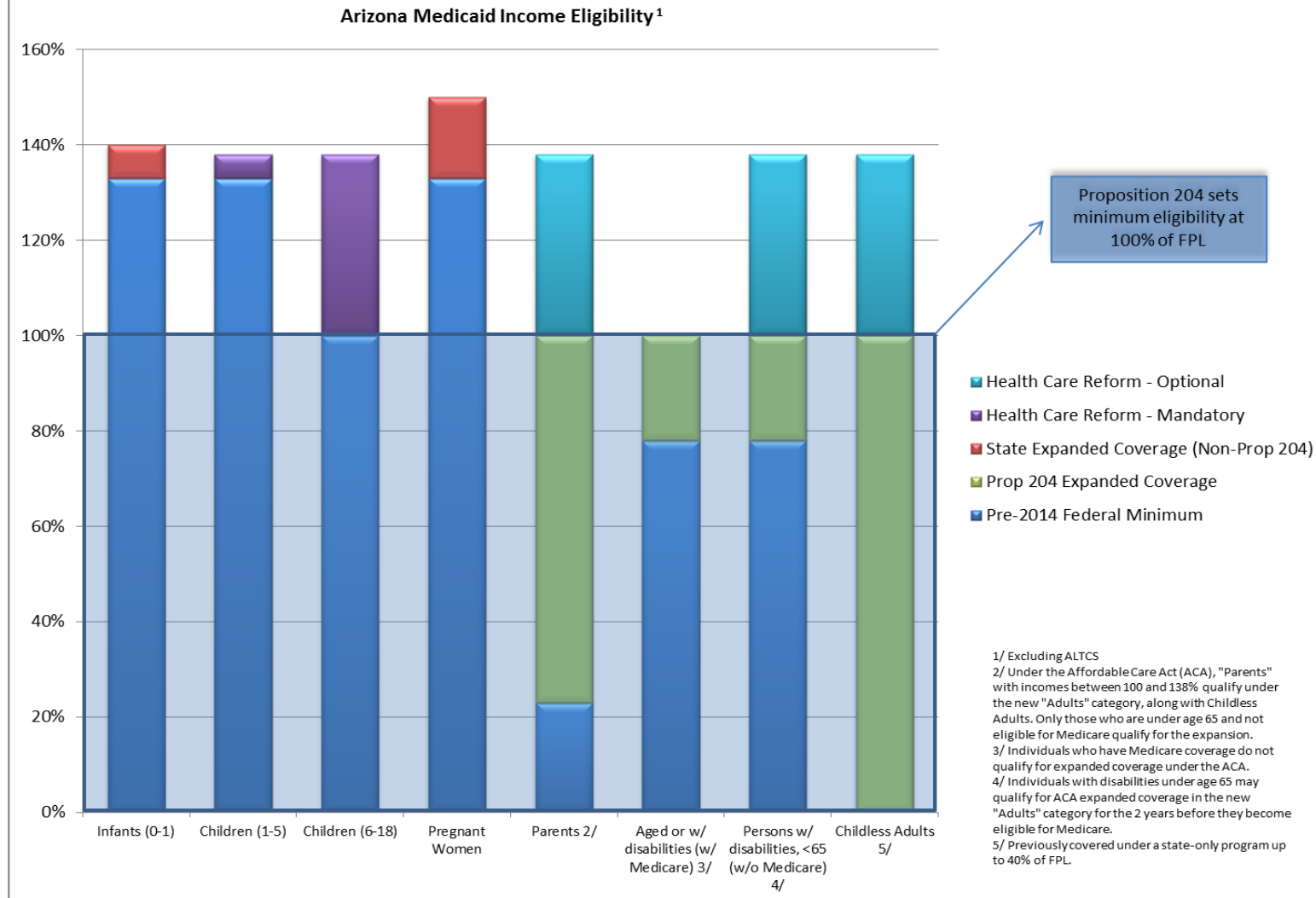
	FY 2013	FY 2014	FY 2015	FY 2019
2011 Competitiveness Package	\$16,700.0	\$52,100.0	\$182,800.0	\$538,000.0
Capital Gains Reductions	\$0.0	\$14,800.0	\$38,000.0	\$95,000.0
Other Changes	\$4,000.0	\$12,100.0	\$8,400.0	\$21,500.0
<b>Total</b>	<b>\$20,700.0</b>	<b>\$79,000.0</b>	<b>\$229,200.0</b>	<b>\$654,500.0</b>



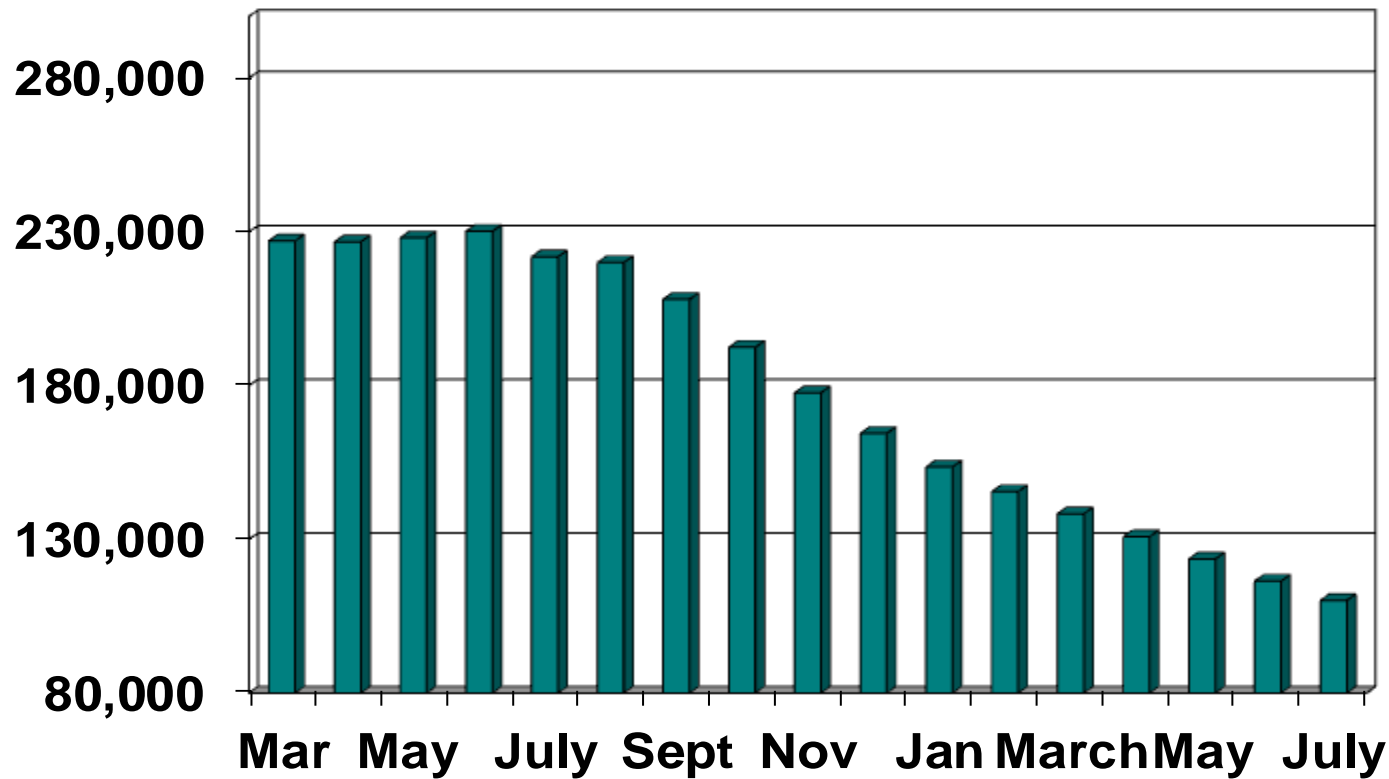
# Budget Outlook



# Federal Health Care Reform

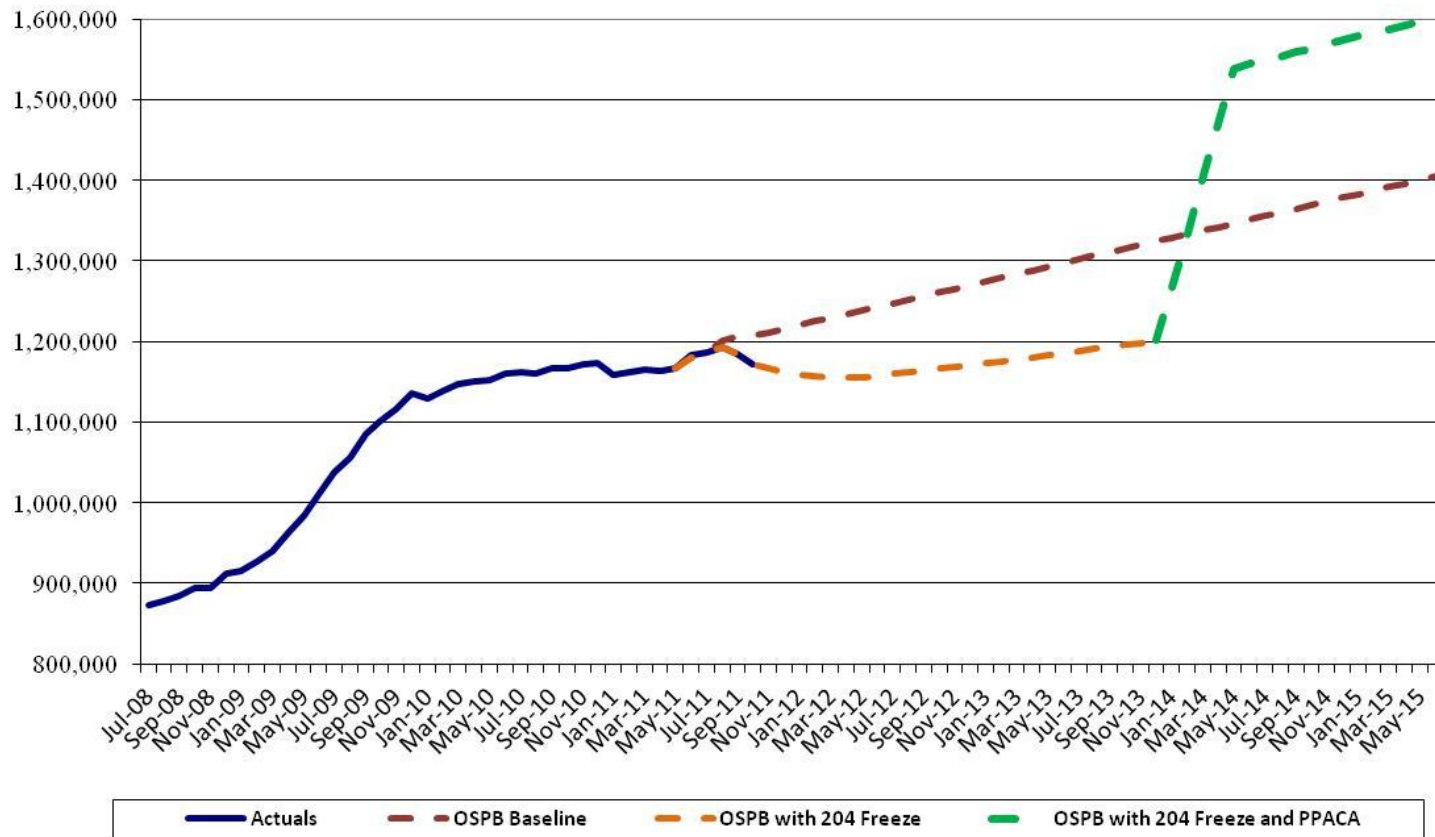


# Childless Adult Population



# Federal Health Care Reform

AHCCCS TXIX Capitation Member Months  
Actuals and Forecasts



# Medicaid Decision Factors

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- Enhanced Match (83%) vs. Regular Match (66%)
- Long-term commitment of Federal Government
- State fiscal stability
- Health care outcomes





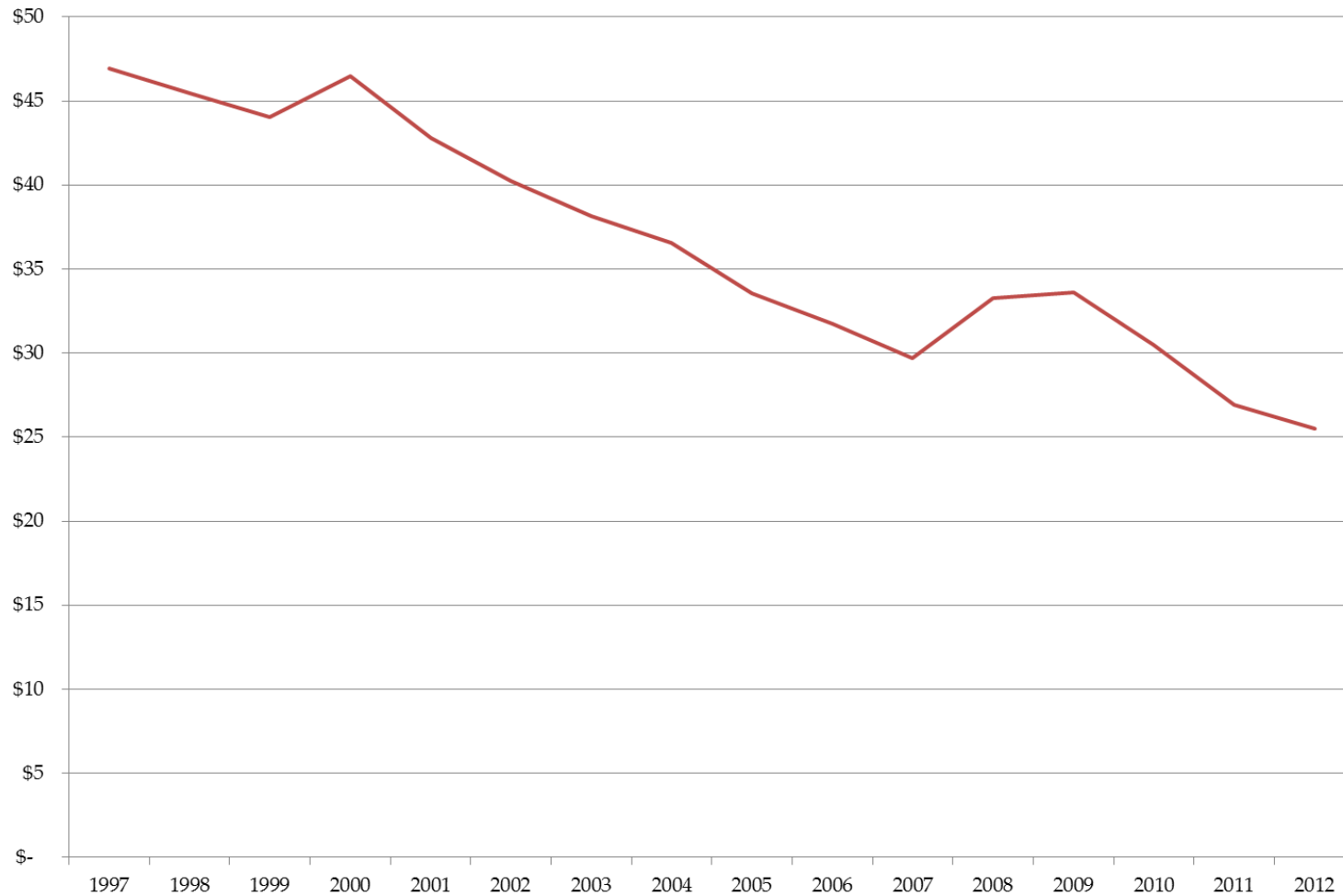
# Medicaid Costs

	FY 2014	FY 2015
Mandatory Costs	\$90.4 million	\$261.2 million
Prop. 204 Restore W/ Enhanced Match	\$58.2 million	\$250.2 million
Prop. 204 Restore W/ Regular Match	\$118.7 million	\$569.4 million



# TANF Block Grant

Arizona Per Capita (Inflation Adjusted) TANF Dollars



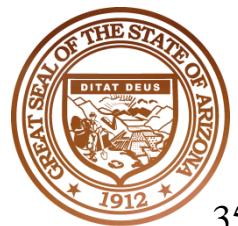
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# TANF Block Grant

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- Cash assistance benefit reduced from \$347 to \$278
- Cash assistance benefit dropped from 60 months to 24 months
- Foster care subsidy reduced 20 percent
- Independent living support was eliminated
- Reductions in domestic violence assistance and shelter beds



# Other Budget Issues

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- Inflation (including wages)
- School capital finance
- Retirement
- IT upgrades
- Caseloads (DES)
- Other Capital
- Universities
- Education (initiative)
- Federal Action



# Long-Term Outlook

